United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2009

Commission file number 1-11929

Dover Motorsports, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**51-0357525**
(State or Other Jurisdiction of Incorporation)	**(I.R.S. Employer Identification No.)**

1131 North DuPont Highway, Dover, Delaware 19901

(Address of principal executive offices)

(302) 883-6500

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 30, 2009, the number of shares of each class of the registrant s common stock outstanding is as follows:

Common Stock -	18,093,166 shares
Class A Common Stock -	18,510,975 shares

Part I Financial Information

Item 1. Financial Statements

DOVER MOTORSPORTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE (LOSS) EARNINGS

In Thousands, Except Per Share Amounts

(Unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues:				
Admissions	$ 11,196	$ 15,365	$ 23,149	$ 30,101
Event-related	7,481	12,073	16,260	24,425
Broadcasting	12,346	12,348	27,284	27,134
Other	121	5	154	58
	31,144	39,791	66,847	81,718
Expenses:				
Operating and marketing	19,159	24,083	44,505	50,801
General and administrative	3,062	3,131	9,219	9,420
Impairment charge	7,478		7,478	
Depreciation and amortization	1,606	1,773	4,788	5,139
	31,305	28,987	65,990	65,360
Operating (loss) earnings	(161)	10,804	857	16,358
Interest income		19	7	69
Interest expense	244	(966)	(1,275)	(3,118)
Loss on sale of investments			(102)	
Earnings (loss) before income tax expense	83	9,857	(513)	13,309
Income tax expense	607	5,158	811	6,911
Net (loss) earnings	(524)	4,699	(1,324)	6,398
Unrealized gain on interest rate swap, net of income taxes	64	68	168	22
Unrealized gain (loss) on available-for-sale securities, net of income taxes	24	(26)	29	(47)
Reclassification adjustment for loss realized on available-for-sale securities, net of income taxes			61	
Amortization of net actuarial loss and prior service cost included in net periodic pension benefit cost, net of income taxes	37		112	23

Comprehensive (loss) earnings	$	(399)	$	4,741	$	(954)	$	6,396
Net (loss) earnings per common share:								
Basic	$	(0.01)	$	0.13	$	(0.04)	$	0.18
Diluted	$	(0.01)	$	0.13	$	(0.04)	$	0.18

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

DOVER MOTORSPORTS, INC.

CONSOLIDATED BALANCE SHEETS

In Thousands, Except Share and Per Share Amounts

(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 838	$ 288
Accounts receivable	9,240	1,950
Inventories	317	273
Prepaid expenses and other	1,682	1,697
Receivable from Dover Downs Gaming & Entertainment, Inc.		11
Deferred income taxes	116	152
Total current assets	12,193	4,371
Property and equipment, net	134,547	144,684
Restricted cash	3,962	5,219
Other assets, net	722	594
Deferred income taxes	257	311
Total assets	$ 151,681	$ 155,179
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 2,343	$ 604
Accrued liabilities	6,537	2,767
Payable to Dover Downs Gaming & Entertainment, Inc.	35	
Income taxes payable	1,214	159
Current portion of bonds payable	1,235	1,130
Deferred revenue	3,992	6,962
Total current liabilities	15,356	11,622
Revolving line of credit	39,200	42,200
Bonds payable	1,738	2,971
Liability for pension benefits	2,706	2,555
Other liabilities	932	1,920
Non current income taxes payable	4,696	9,630
Deferred income taxes	20,940	16,834
Total liabilities	85,568	87,732
Commitments and contingencies (see Notes to the Consolidated Financial Statements)		
Stockholders equity:		
Preferred stock, $0.10 par value; 1,000,000 shares authorized; shares issued and outstanding: none		
Common stock, $0.10 par value; 75,000,000 shares authorized; shares issued and outstanding: 18,113,966 and 17,872,751, respectively	1,811	1,787
Class A common stock, $0.10 par value; 55,000,000 shares authorized; shares issued and outstanding: 18,510,975 and 18,510,975, respectively	1,851	1,851

Additional paid-in capital	100,868	100,539
Accumulated deficit	(36,423)	(34,366)
Accumulated other comprehensive loss	(1,994)	(2,364)
Total stockholders equity	66,113	67,447
Total liabilities and stockholders equity	$ 151,681	$ 155,179

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

DOVER MOTORSPORTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands

(Unaudited)

	Nine Months Ended September 30, 2009	2008
Operating activities:		
Net (loss) earnings	$ (1,324)	$ 6,398
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization	4,788	5,139
Amortization of credit facility fees	121	134
Stock-based compensation	425	452
Deferred income taxes	(1,115)	3,898
Impairment charge	7,478	
Changes in assets and liabilities:		
Accounts receivable	(7,290)	(8,684)
Inventories	(44)	(135)
Prepaid expenses and other	166	78
Accounts payable	1,739	3,687
Accrued liabilities	3,570	2,180
Payable to/receivable from Dover Downs Gaming & Entertainment, Inc.	46	11
Income taxes payable	1,126	1,898
Deferred revenue	(2,970)	(4,759)
Other liabilities	(366)	609
Net cash provided by operating activities	6,350	10,906
Investing activities:		
Capital expenditures	(1,896)	(6,467)
Restricted cash	1,257	(2,117)
Proceeds from sale of available-for-sale-securities	187	
Purchase of available-for-sale-securities	(185)	(50)
Net cash used in investing activities	(637)	(8,634)
Financing activities:		
Borrowings from revolving line of credit	27,150	31,000
Repayments on revolving line of credit	(30,150)	(30,800)
Repayments of bonds payable	(1,128)	(109)
Dividends paid	(733)	(1,638)
Repurchase of common stock	(19)	(137)
Credit facility fees	(283)	(124)
Proceeds from stock options exercised		216
Excess tax benefit on stock awards		28
Net cash used in financing activities	(5,163)	(1,564)
Net increase in cash and cash equivalents	550	708

Cash and cash equivalents, beginning of period		288		327
Cash and cash equivalents, end of period	$	838	$	1,035
Supplemental information:				
Interest paid	$	1,896	$	2,677
Income taxes paid	$	800	$	1,087
Change in accounts payable for capital expenditures	$		$	269

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 Basis of Presentation

References in this document to we, us and our mean Dover Motorsports, Inc. and/or its wholly owned subsidiaries, as appropriate.

The accompanying consolidated financial statements have been prepared in compliance with Rule 10-01 of Regulation S-X and U.S. generally accepted accounting principles, and accordingly do not include all of the information and disclosures required for audited financial statements. These consolidated statements should be read in conjunction with the consolidated financial statements and notes thereto included in our latest Annual Report on Form 10-K filed on March 6, 2009. In the opinion of management, these consolidated statements include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods presented. Operating results for the three and nine-month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 due to the seasonal nature of our business.

NOTE 2 Business Operations

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Our motorsports subsidiaries operate four motorsports tracks in three states and we are scheduled to promote 14 major events during 2009 under the auspices of two of the premier sanctioning bodies in motorsports the National Association for Stock Car Auto Racing (NASCAR) and the National Hot Rod Association (NHRA). We own and operate Dover International Speedway® in Dover, Delaware; Gateway International Raceway® near St. Louis, Missouri; Memphis Motorsports Park® in Memphis, Tennessee; and Nashville Superspeedway® near Nashville, Tennessee.

In 2009, we are scheduled to promote the following major events:

- 2 NASCAR Sprint Cup Series events;
- 6 NASCAR Nationwide Series events;
- 4 NASCAR Camping World Truck Series events; and
- 2 NHRA events.

All of the major events listed above were promoted during the first nine months of 2009, with the exception of a NASCAR Nationwide Series event and an NHRA event at our Memphis facility, which were promoted in October 2009.

We derive a substantial portion of our revenues from admissions, event-related and broadcasting revenues attributable to our NASCAR-sanctioned events at Dover International Speedway which are held in May and September.

Our wholly-owned subsidiary, Midwest Racing, Inc. (Midwest Racing), entered into a stock purchase agreement dated January 28, 2009, to sell Memphis Motorsports Park to Gulf Coast Entertainment, L.L.C (Gulf Coast). Under the terms of the agreement, Midwest Racing was to sell all of the stock of its wholly-owned subsidiary, Memphis International Motorsports Corporation, the owner of Memphis Motorsports Park, to Gulf Coast for $10,000,000 in cash and a two percent non-dilutable interest in Gulf Coast. Gulf Coast is the owner of Alabama Motorsports Park, a proposed multi-use entertainment complex expected to be constructed in Mobile, Alabama. Closing under the stock purchase agreement, as amended, had been scheduled for June 29, 2009, but Gulf Coast did not finalize its project financing. In keeping with our obligations under the stock purchase agreement to engage in

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DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

good faith discussions relative to an extension of the closing date, we had been in negotiations with Gulf Coast relative to an amendment to the stock purchase agreement which would have allowed for an extension of the closing date until September 29, 2009. Those negotiations were unsuccessful and as permitted under the terms of the stock purchase agreement, we terminated the agreement and will retain $165,000 that was paid by Gulf Coast as a non-refundable deposit. Gulf Coast transferred to us a 2% special member interest in Gulf Coast which by its terms is nondilutable and does not require that we advance any monies to maintain our interest. Upon execution of the stock purchase agreement in January 2009, the assets and liabilities of Memphis qualified for held for sale presentation. Since the sale was not completed and the agreement was no longer effective as of September 30, 2009, the assets and liabilities of Memphis no longer qualify for held for sale presentation. As a result, we reclassified the assets and liabilities of Memphis from held for sale to held and used as of September 30, 2009. This resulted in us reviewing the long-lived assets of Memphis for impairment. See NOTE 4 Impairment Charge.

On October 28, 2009, our Board of Directors approved the closing of the Memphis facility. NASCAR has approved the realignment of our NASCAR Camping World Truck Series and NASCAR Nationwide Series events from Memphis Motorsports Park to our Nashville and Gateway facilities. We are currently evaluating all of our options relative to the Memphis facility at this time.

NOTE 3 Summary of Significant Accounting Policies

Basis of consolidation and presentation The accompanying consolidated financial statements include the accounts of Dover Motorsports, Inc. and our wholly owned subsidiaries. Intercompany transactions and balances have been eliminated.

Cash equivalents We consider as cash equivalents all highly-liquid investments with an original maturity of three months or less.

Investments Investments, which consist of mutual funds, are classified as available-for-sale and reported at fair-value in other assets in our consolidated balance sheets. Changes in fair value are reported in other comprehensive income (loss). See NOTE 7 Stockholders Equity and NOTE 8 Financial Instruments for further discussion.

Derivative instruments and hedging activities We are subject to interest rate risk on the variable component of the interest rate under our revolving credit agreement. Effective October 21, 2005, we entered into a $37,500,000 interest rate swap agreement. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminated on November 1, 2009. We designated the interest rate swap as a cash flow hedge. Changes in the fair value of the effective portion of the interest rate swap were recognized in other comprehensive (loss) income until the hedged item was recognized in earnings. See NOTE 5 Long-Term Debt and NOTE 8 Financial Instruments for further discussion.

Property and equipment Property and equipment is stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method. Accumulated depreciation was $36,566,000 and $32,088,000 as of September 30, 2009 and December 31, 2008, respectively.

Impairment of long-lived assets Long-lived assets other than goodwill are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Generally, fair value is determined using valuation techniques such as the sales approach and for facilities the cost approach, which gives specific consideration to the value of the land plus contributory value to the improvements.

Income taxes Deferred income taxes are provided on all differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements based upon enacted statutory tax rates in effect at the balance sheet date. We record a valuation allowance to reduce our deferred tax assets when uncertainty regarding their realizability exists. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Interest expense on unrecognized income tax benefits is being recorded in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. We recorded interest expense of $57,000 and $306,000, and $101,000 and $440,000 during the three and nine-month periods ended September 30, 2009 and 2008, respectively, related to our unrecognized income tax benefits. During the third quarter of 2009, we reversed $1,011,000 of previously recorded interest expense on certain unrecognized income tax benefits which are no longer subject to examination. Total accrued interest as of September 30, 2009 was $855,000 and is included in other liabilities in the consolidated balance sheet.

We file income tax returns with the Internal Revenue Service and the states in which we conduct business. We have identified the U.S. federal and state of Delaware as our major tax jurisdictions. As of September 30, 2009, tax years after 2005 remain open to examination for federal income tax purposes and tax years after 2004 remain open to examination for Delaware income tax purposes.

Revenue recognition We classify our revenues as admissions, event-related, broadcasting and other. Admissions revenue includes ticket sales for all Company events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; sales of programs; track rentals and other event-related revenues. Broadcasting revenue includes rights fees obtained for television and radio broadcasts of events held at our speedways and ancillary media rights fees.

Revenues pertaining to specific events are deferred until the event is held. Concession and souvenir revenue are recorded at the time of sale. Revenues and related expenses from barter transactions in which we receive advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value. Barter transactions accounted for $337,000 and $787,000 of total revenues for the three and nine-month periods ended September 30, 2009. Barter transactions accounted for $580,000 and $1,094,000 of total revenues for the three and nine-month periods ended September 30, 2008.

Under the terms of our sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR-sanctioned event as a component of its sanction fees and remits the remaining 90% to the event promoter, which we record as revenue. The event promoter is required to pay 25% of the gross broadcast rights fees to the event as part of the awards to the competitors, which we record as operating expenses.

We are responsible for collecting sales taxes from our customers on certain revenue generating activities and remitting these taxes to the appropriate governmental taxing authority. We include sales taxes in admissions and event-related revenues in our consolidated statements of operations with an equal amount in operating and marketing expenses. Sales taxes included in revenues and expenses for the three and nine-month periods ended September 30, 2009 and 2008 were $117,000 and $309,000, and $231,000 and $511,000, respectively.

Expense recognition Certain direct expenses pertaining to specific events, including prize and point fund monies and sanction fees paid to various sanctioning bodies, including NASCAR, advertising and other expenses associated with the promotion of our racing events are deferred until the event is held, at which point they are expensed.

The cost of non-event related advertising, promotion and marketing programs is expensed as incurred. Advertising expenses were $1,045,000 and $2,480,000, and $1,635,000 and $3,302,000 for the three and nine-month periods ended September 30, 2009 and 2008, respectively.

Net (loss) earnings per common share Basic and diluted net (loss) earnings per common share (EPS) are calculated in accordance with the provisions of ASC Topic 260, *Earnings Per Share*. In June 2008, the FASB issued guidance stating that nonvested share-based payment awards that include nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities, and the two-class method of

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

computing EPS is required for all periods presented. We adopted the provisions of ASC Topic 260 relating to the two-class method of computing EPS effective January 1, 2009.

Our restricted stock awards include nonforfeitable rights to dividends with respect to nonvested shares. The nonvested shares of our restricted stock grants are considered participating securities and must be included in our computation of EPS. Accordingly, we have computed EPS to include the impact of outstanding nonvested shares of restricted stock in the calculation of basic EPS effective as of the first quarter of 2009 and have adjusted prior period EPS retrospectively for the inclusion of such outstanding nonvested restricted shares. The adoption of the provisions of ASC Topic 260 relating to the two-class method of computing EPS did not change our basic or diluted EPS for the three or nine-month periods ended September 30, 2008.

The following table sets forth the computation of basic and diluted EPS (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Net (loss) earnings per common share basic:				
Net (loss) earnings	$ (524)	$ 4,699	$ (1,324)	$ 6,398
Allocation to nonvested restricted stock awards		57	12	78
Net (loss) earnings available to common stockholders	$ (524)	$ 4,642	$ (1,336)	$ 6,320
Weighted-average shares outstanding	36,025	35,958	36,019	35,934
Net (loss) earnings per common share basic	$ (0.01)	$ 0.13	$ (0.04)	$ 0.18
Net (loss) earnings per common share diluted:				
Net (loss) earnings	$ (524)	$ 4,699	$ (1,324)	$ 6,398
Allocation to nonvested restricted stock awards		57	12	78
Net (loss) earnings available to common stockholders	$ (524)	$ 4,642	$ (1,336)	$ 6,320
Weighted-average shares outstanding	36,025	35,958	36,019	35,934
Dilutive stock options		7		69
Weighted-average shares and dilutive shares outstanding	36,025	35,965	36,019	36,003
Net (loss) earnings per common share diluted	$ (0.01)	$ 0.13	$ (0.04)	$ 0.18

For the three and nine-month periods ended September 30, 2009 and 2008, options to purchase 493,000 and 493,000, and 294,000 and 244,000 shares of common stock, respectively, were outstanding but not included in the computation of diluted EPS because they would have been anti-dilutive.

Accounting for stock-based compensation We recorded total stock-based compensation expense of $142,000 and $425,000, and $135,000 and $452,000 as general and administrative expenses for the three and nine-month periods ended September 30, 2009 and 2008, respectively. We recorded income tax benefits of $58,000 and $173,000, and $19,000 and $151,000 for the three and nine-month periods ended September 30, 2009 and 2008, respectively, related to our restricted stock awards.

Use of estimates The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, disclosures about contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

future events and their effects cannot be determined with precision, actual results could differ from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Subsequent events For the three and nine months ended September 30, 2009, we evaluated, for potential recognition and disclosure, events that occurred prior to the filing of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 on November 6, 2009.

Recent Accounting Pronouncements In June 2009, the FASB issued guidance now codified as FASB ASC Topic 105, *Generally Accepted Accounting Principles*, as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). ASC Topic 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the FASB ASC will be considered non-authoritative. These provisions of ASC Topic 105 are effective for interim and annual periods ending after September 15, 2009 and, accordingly, are effective for the current fiscal reporting period. The adoption of this pronouncement did not have an impact on our financial condition or results of operations, but did impact our financial reporting process by eliminating all references to pre-codification standards. On the effective date of this Statement, the ASC superseded all then-existing non-SEC accounting and reporting standards, and all other non-grandfathered non-SEC accounting literature not included in the ASC became non-authoritative.

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 166, *Accounting for Transfers of Financial Assets*, *an amendment to SFAS No. 140* (note that this standard has not yet been codified under ASC Topic 105). The new standard eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity s continuing involvement in and exposure to the risks related to transferred financial assets. SFAS No. 166 is effective for fiscal years beginning after November 15, 2009. We will adopt SFAS No. 166 in 2010 and do not expect that it will have an impact on our consolidated financial statements.

NOTE 4 Impairment Charge

Because the sale of our Memphis Motorsports Park facility was not completed, we concluded in the third quarter that it was necessary for us to review the carrying value of the long-lived assets of our Memphis facility for impairment. The fair value of the assets for the Memphis facility was previously determined based upon the terms of the agreement of sale with Gulf Coast for purposes of our impairment assessment. In accordance with the provisions of ASC Topic 360, *Property, Plant and Equipment*, the recoverability of assets to be held and used was measured by a comparison of the carrying amount of the asset to the sum of the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. As a result of the recoverability test, we concluded that the carrying amount of our Memphis facility exceeded the undiscounted cash flows.

Since the carrying amount of the assets exceeded the fair value, an impairment charge was recognized by the amount by which the carrying amount of the assets exceeded the fair value. Fair value of the assets for the Memphis facility was determined using a valuation methodology that consisted of the cost approach, which gave specific consideration to the value of the land and an office building, net of demolition costs. The long-lived assets deemed to be impaired consisted of track facilities.

Based on the results of this analysis, we recorded a non-cash impairment charge in the third quarter of 2009 to write-down the carrying value of long-lived assets at our Memphis facility to fair value, as follows:

	Carrying Value of Long-Lived Assets	Fair Value of Long-Lived Assets	Non-Cash Impairment Charges
Memphis facility	$ 10,278,000	$ 2,800,000	$ 7,478,000

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 5 Long-Term Debt

Long-term debt consists of the following:

	September 30, 2009	December 31, 2008
Revolving line of credit	$ 39,200,000	$ 42,200,000
SWIDA bonds	2,973,000	4,101,000
	42,173,000	46,301,000
Less current portion	(1,235,000)	(1,130,000)
	$ 40,938,000	$ 45,171,000

At September 30, 2009, Dover Motorsports, Inc. and all of its wholly owned subsidiaries, as co-borrowers, were parties to a $73,000,000 secured revolving credit agreement with a bank group. The credit agreement is secured by all of our assets. Effective August 21, 2009, the credit facility was amended to revise certain financial covenants and the interest rate calculation, among other changes. The maximum borrowing limit under the credit facility reduces to $68,000,000 on July 1, 2010 and the facility expires July 1, 2011. It provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at our option, upon LIBOR plus 350 basis points or the adjusted base rate. The base rate is the greater of the prime rate or the federal funds rate plus 50 basis points or the daily LIBOR rate plus 100 basis points. The adjusted base rate is the greater of 3.75% per annum or the base rate plus 250 basis points. The base rate option is not available for the portion of indebtedness equal to the notional amount under the interest rate swap agreement described below. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization. In addition, the credit agreement includes a material adverse change clause and prohibits the payment of dividends by us. The credit facility also provides that if we default under any other loan agreement, that would be a default under this credit facility. At September 30, 2009, we were in compliance with the terms of the credit facility.

Material adverse changes in our results of operations could impact our ability to maintain financial ratios necessary to satisfy these requirements. There was $39,200,000 outstanding under the credit facility at September 30, 2009, at a weighted average interest rate of 3.75%. After consideration of stand-by letters of credit outstanding, the remaining maximum borrowings available pursuant to the credit facility were $11,736,000 at September 30, 2009; however, in order to maintain compliance with the required quarterly debt covenant calculations as of September 30, 2009 only $2,365,000 could have been borrowed as of that date. Based on projected future results, we expect to be in compliance with all of the covenants for all measurement periods during the next twelve months.

Effective October 21, 2005, we entered into an interest rate swap agreement that effectively converted $37,500,000 of our variable-rate debt to a fixed-rate basis, thereby hedging against the impact of potential interest rate changes on future interest expense. The notional amount of the swap agreement decreased to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007, and to $10,000,000 on November 1, 2008. The agreement terminated on November 1, 2009. Under this agreement, we paid a fixed interest rate of 4.74%. In return, the issuing lender refunded to us the variable-rate interest paid to the bank group under our revolving credit agreement on the same notional principal amount, excluding the margin of 350 basis points.

In 1996, Midwest Racing, Inc. entered into an agreement (the SWIDA bonds) with Southwestern Illinois Development Authority (SWIDA) to receive the proceeds from the Taxable Sports Facility Revenue Bonds, Series 1996 (Gateway International Motorsports Corporation Project), a Municipal Bond Offering, in the aggregate principal amount of $21,500,000, of which $2,973,000 was outstanding at September 30, 2009. SWIDA loaned all of the proceeds from the Municipal Bond Offering to Midwest Racing for the purpose of the redevelopment, construction and expansion of Gateway International Raceway (Gateway). The proceeds of the SWIDA bonds were irrevocably committed to complete construction of Gateway, to fund interest, to create a debt service reserve fund and to pay for the cost of issuance of the bonds. The repayment terms and debt service reserve requirements of the bonds issued in the Municipal Bond Offering correspond to the terms of the SWIDA bonds.

The bonds are being amortized through February 2012.

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

We have established certain restricted cash funds to meet debt service as required by the SWIDA bonds, which are held by the trustee (BNY Trust Company of Missouri). At September 30 2009, $3,962,000 of cash and cash equivalents were restricted by the SWIDA bonds and are appropriately classified as a non-current asset in our consolidated balance sheet. The SWIDA bonds are secured by a first mortgage lien on all the real property owned and a security interest in all property leased by Gateway. Also, the SWIDA bonds are unconditionally guaranteed by Midwest Racing. The SWIDA bonds bear interest at a rate of 9.2%. Interest expense related to the SWIDA bonds was $69,000 and $215,000, and $95,000 and $287,000 for the three and nine-month periods ended September 30, 2009 and 2008, respectively. In addition, a portion of the property taxes to be paid by Gateway to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

NOTE 6 Pension Plans

We maintain a non-contributory tax qualified defined benefit pension plan. All of our full time employees are eligible to participate in the qualified plan. Benefits provided by our qualified pension plan are based on years of service and employees remuneration over their employment period. Pension costs are funded in accordance with the provisions of the Internal Revenue Code. We also maintain a non-qualified, non-contributory defined benefit pension plan for certain employees. This excess plan provides benefits that would otherwise be provided under the qualified pension plan but for maximum benefit and compensation limits applicable under federal tax law. The cost associated with the excess plan is determined using the same actuarial methods and assumptions as those used for our qualified pension plan.

The components of net periodic pension cost are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Service cost	$ 85,000	$ 74,000	$ 280,000	$ 269,000
Interest cost	104,000	89,000	317,000	292,000
Expected return on plan assets	(90,000)	(117,000)	(283,000)	(390,000)
Recognized net actuarial loss/(gain)	55,000	(4,000)	168,000	24,000
Net amortization	5,000	4,000	20,000	19,000
	$ 159,000	$ 46,000	$ 502,000	$ 214,000

We contributed $75,000 and $165,000 to our pension plans during the three and nine-month periods ended September 30, 2009, respectively. We contributed $150,000 to our pension plans during the nine-month period ended September 30, 2008. We expect to contribute approximately $250,000 to our pension plans in 2009.

DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 7 Stockholders Equity

Changes in the components of stockholders equity are as follows (in thousands, except per share amounts):

	Common Stock	Class A Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss
Balance at December 31, 2008	$ 1,787	$ 1,851	$ 100,539	$ (34,366)	$ (2,364)
Net loss				(1,324)	
Dividends paid, $0.03 per share				(733)	
Issuance of restricted stock awards, net of forfeitures	25		(25)		
Stock-based compensation			425		
Tax shortfall from stock awards			(53)		
Repurchase and retirement of common stock	(1)		(18)		
Unrealized gain on interest rate swap, net of income tax expense of $115					168
Unrealized gain on available-for-sale securities, net of income tax expense of $21					29
Reclassification adjustment for loss realized on available-for-sale securities, net of income tax benefit of $41					61
Amortizati					